



Application 8.12

MANAGING THE CULTURAL GAP WITH CHINA

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In recent decades, China has undergone an unprecedented transformation and opened up to the outside world. If we add to this the fact that it represents the largest potential market in the world with more than 1,400 million inhabitants and that its economy has ranked second in the world, only behind the US, but with prospects that it could surpass it throughout the twenties, you get a powerful reason for companies to venture into this country.

Nevertheless, there are major cultural, habit, and customs differences within the business world that can lead to the failure of projects, contracts, or even just memoranda of understanding. Gaining an appreciation of China's complex rules of behaviour and protocol, as well as the context in which they have been formed, is crucial for a firm seeking to operate in the Asian giant.

The cultural gap begins with language, due to both the difficulty of learning the local language and the few people who speak English, making the use of interpreters commonplace. It is advisable to have visiting cards and trade catalogues drafted in both English and Chinese.

In China, greater importance is placed on the group than on the individual. The concepts of "privacy" and "individualism" are not deeply rooted. The Chinese tend not to act through personal initiative but instead look to the group's opinion and always seek its approval. Given that people forge their own identity through their family, group or company, outsiders (people outside the group) may be treated with indifference and even disdain.

Personal relationships are far more binding than in the West. These personal ties (referred to in Chinese as "guanxi") involve establishing a relationship of mutual trust and are essential for any business. To make a new contact, an intermediary may be used, with the formal presentation and delivery of a modest gift (small bullfighting statues or football souvenirs are especially appropriate in the Spanish case). It is vital to be punctual for business meetings. Business meals are another major aspect of personal relationships, as they allow the parties to familiarise themselves with each other and explore the possibilities of cooperation. Care has to be taken with the consumption of alcohol, as guests are expected to drink the same amount as the host, so as not to cause any embarrassment. It is also important to show one's manners by leaving some food on the plate.

The subscription of a contract does not have the same binding nature as in the West; instead, it consists of a memorandum of understanding, or letter of intent, based on which the real negotiations may begin. Chinese legislation has its idiosyncrasies, and it is only since the country joined the World Trade Organisation in 2001 that it has begun to assimilate Western legal practices. Personal trust is almost more valuable than a contract.

Furthermore, it should be remembered that the Chinese are constantly seeking to uphold harmony and balance, as they consider competition to lead to confrontation. Accordingly, they distrust change and





prefer a passive stance, doing nothing rather than taking the initiative. Outright refusals are seen as a disruption of harmony and may offend those on the receiving end. Courtesy prevails over sincerity, which implies the use of noncommittal replies such as “I don’t know if that will be possible”, “we’ll try, but I cannot promise anything”, etc., which generally mean “no”. What’s more, the Chinese decide upon their position before they begin to negotiate, and it does not change along the way. If an impasse is reached, they withdraw from the negotiation to reach a new consensus. The Chinese do not take kindly to aggressive attitudes. They do not like being defied or asked to account for themselves. Patience is, therefore, a highly recommended virtue in negotiating.

For the Chinese, authority and responsibility should be absolutely clear. At a meeting, only the head of the Chinese delegation will speak. Likewise, the other party will be expected to appoint a spokesperson who will not be contradicted by anyone else in the group, and the hierarchy will be clearly established. Chinese organisations have a thin layer of middle management that needs to be negotiated before reaching the governance level where decisions are made. Before any action, approval must be obtained from a superior, who in turn must clear the matter with their own superior, etc. Once again, this requires patience and an understanding of the difficulty the Chinese face as they tackle the rigid organisational structure within their own firms.

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